

## Message Text

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ACTION AF-10

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FM AMEMBASSY MONROVIA

TO SECSTATE WASHDC 8642

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E.O. 11652 N/A

TAGS: BTIO, EINV, ECON, LI

SUBJECT: IMPROVEMENT IN INVESTMENT CLIMATE

REF: STATE 70463

IN RESPONSE TO FOREIGN AND INTERNAL CRITICISMS, GOL HAS BEGUN TO MODIFY SOME OF ITS ECONOMIC/COMMERCIAL POLICIES WHICH HAVE DISCOURAGED INVESTMENT ACTIVITIES. THE FOLLOWING RECENT GOL ACTIONS WHICH HAVE COME TO THE EMBASSY'S ATTENTION HAVE GRADUALLY BUT NOTICEABLY IMPROVED THE INVESTMENT CLIMATE:

1. GOL HAS RECENTLY AGREED WITH ITS SWEDISH-AMERICAN PARTNERS THAT WHEN AND WHERE NECESSARY LAMCO WOULD SHAVE PRICES TO SELL IRON ORE. PREVIOUSLY, GOL HAS STUBBORNLY INSISTED THAT LAMCO SHOULD SELL ONLY AT THE HIGHEST PRICE, PRESUMABLY TO MAXIMIZE GOL'S INCOME FROM IRON ORE. IN THE PAST FEW WEEKS LAMCO HAS SUCCEEDED IN REDUCING IRON ORE INVENTORY FROM 5.7 MILLION TONS TO 4.4 MILLION TONS.

2. AS STATED REFTTEL, GOL HAS DECIDED NOT TO RENEGOTIATE CONCESSION AGREEMENT WITH UNIROYAL. AS THE BELLWETHER, FIRESTONE WENT THROUGH MORE THAN TWO YEARS OF OFTEN VERY HEATED NEGOTIATIONS BEFORE IT SIGNED A NEW AGREEMENT IN 1976. GOL GOT

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ITS WAY IN THESE NEGOTIATIONS, BUT AT THE EXPENSE OF DAMAGING LIBERIA'S INVESTMENT CLIMATE.

3. LMC (LIBERIA MINING COMPANY) AND GOL SETTLED ASSETS QUESTION IN FEBRUARY 1978. IF SETTLEMENT IS APPROVED BY LMC'S BOARD OF DIRECTORS, AMERICAN INVESTORS, APPARENTLY ASSOCIATED WITH LMC, ARE EXPECTED TO PROCEED TO IMPLEMENT

BIE MOUNTAIN IRON ORE PROJECT USING SOME OF THESE ASSETS.

4. IN FEBRUARY 1978, GOL REPORTEDLY NOTIFIED JAPANESE GROUP INVOLVED IN WOLOGISI PROJECT THAT IT WILL NO LONGER PENALIZE CONCESSION HOLDER LISCO (LIBERIA IRON AND STEEL CORPORATION) \$500,000 FOR EVERY YEAR PROJECT'S COMPLETION IS DELAYED BEYOND 1981. AMAX, WHICH IS ASSOCIATED WITH THE JAPANESE GROUP THROUGH ITS EQUITY HOLDING IN LISCO, HAD REPORTEDLY LOST INTEREST IN THE PROJECT BECAUSE OF THE PENALTY. THE REMOVAL OF THIS PENALTY MAY REKINDLE AMAX'S INTEREST IN WOLOGISI.

5. PRESIDENT TOLBERT'S ESTABLISHMENT OF A SPECIAL ECONOMIC COMMISSION, CHAIRED BY A PROMINENT LIBERIAN BUSINESSMAN, IS TACIT RECOGNITION BY GOL THAT CORRECTIVE ACTION IS NEEDED TO IMPROVE INVESTMENT CLIMATE. COMMISSION IS EXPECTED TO SUBMIT ITS RECOMMENDATIONS TO PRESIDENT TOLBERT SOON. IF THESE RECOMMENDATIONS ARE IMPLEMENTED, THERE SHOULD BE A SUBSTANTIAL IMPROVEMENT IN INVESTMENT CLIMATE.

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## Message Attributes

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